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Everyone has plans.



The year in review

Amid adversity, Bank of Montreal remains strong, confident and committed to pursuing a strategy of growth.

2001 was a difficult year for the world. Politically and spiritually, the events of September 11th had a profound effect. The act of terror also impacted the globe's financial markets, further weakening already slowing economies in the United States, Canada and internationally.

The Bank of Montreal Group of Companies was not immune to the troubled times. In the fourth quarter of 2001, the slowing of the North American economies prompted the Bank to announce higher provisions for credit losses and write-downs totalling \$682 million or \$414 million after-tax.

These increased charges, along with a less robust economy, significantly affected our business. For the fiscal year ending October 31, 2001, our net income was \$1,471 million, down \$386 million from fiscal 2000. Cash return on equity for the year was 14.8%, a decrease of four percentage points

from 2000. Cash earnings per share were \$2.86, a decrease of \$0.53 or 16% from the previous year.

Yet, we remain strong and confident.

Excluding non-recurring items and the increased charges, cash earnings per share actually increased 7% from fiscal 2000. Cash return on equity was 16.9%, excluding non-recurring items and the increased charges. Indeed, Bank of Montreal is the only bank in North America that can claim a reported return on equity of more than 13% every year for the last 12 years.

This is good news. It's a testament to our consistent performance and a reflection of our resiliency and the soundness of our business strategy. And it's a source of inspiration as we move forward into what we believe will be a more prosperous, peaceful future.

Financial Highlights

(Canadian \$ in millions, except as noted)

Income Statement Highlights

	Oct. 31 2001	Oct. 31 2000	Oct. 31 1999	Oct. 31 1998	Oct. 31 1997
Total revenue (teb) (a)	8,863	8,664	7,928	7,270	7,167
Provision for credit losses	980	358	320	130	275
Non-interest expense	5,671	5,258	5,288	4,785	4,567
Net income	1,471	1,857	1,382	1,350	1,305

Common Share Data (\$)

Diluted earnings per share	2.66	3.25	2.34	2.29	2.28
Excluding non-recurring items	2.48	2.91	2.51	2.29	2.36
Diluted cash earnings per share	2.86	3.39	2.46	2.42	2.42
Excluding non-recurring items	2.68	3.05	2.64	2.42	2.50

Primary Financial Measures (%) (b)

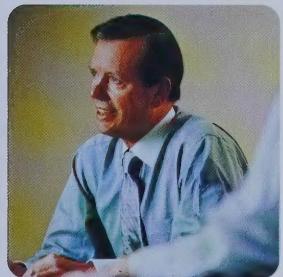
Average annual five-year total shareholder return	14.3	22.9	22.0	23.3	26.1
Diluted cash earnings per share growth (c)	(12.1)	15.5	9.1	(3.2)	14.2
Cash return on equity (c)	13.9	16.9	15.9	16.1	18.6
Revenue growth (c)	3.2	6.1	9.4	1.4	15.1
Provision for credit losses as a % of average loans and acceptances (c)	0.60	0.28	0.22	0.09	0.23
Tier 1 Capital Ratio	8.15	8.83	7.72	7.26	6.80

All ratios in this report are based on unrounded numbers.

(a) Reported on a taxable equivalent basis (teb).

(b) For the period ended or as at, as appropriate.

(c) Reported excluding non-recurring items.



This is *our* plan.

To be a leading transnational bank

As the consolidation of the North American financial services industry continues, Bank of Montreal's vision is to become a leading transnational bank – one of the dozen or so banks offering a full range of financial products and services to personal, commercial, and corporate and institutional clients on both sides of the Canada-U.S. border.

Before talking about the future, and our strategic plan for making that future our own, I feel compelled to briefly return to that unspeakable morning of September 11th when the world we thought we knew disintegrated, right in front of our horror-stricken eyes.

How profoundly that moment and its appalling aftermath have changed our world remains to be written, but I cannot think of any individual of my acquaintance who has not been affected; or any organization, including the Bank of Montreal Group of Companies.

We lost one of our own, David Barkway of BMO Nesbitt Burns, and we lost many friends in the financial services industry. In common humanity, we felt and shared the outrage and sorrow – and the ongoing fear and

Bank of Montreal Group of Companies at a Glance

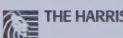
Personal and Commercial Client Group



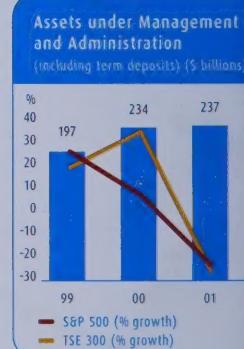
The Personal and Commercial Client Group (P&C) is committed to providing integrated, seamless, high-quality service to seven million personal and commercial customers across Canada and in the United States. P&C offers a full range of products and services through 16,500 highly skilled financial service providers in more than 1,100 Bank of Montreal and Harris Bank branches, as well as directly through bmo.com, harrisbank.com, BMO mbanx® Direct and a network of more than 2,200 automated banking machines.



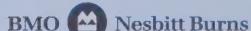
Private Client Group



The Private Client Group (PCG) is committed to helping clients accumulate, protect and grow their financial assets. Operating under The Harris® in the United States and BMO Private Client Group in Canada, PCG, through more than 5,100 employees, offers a full suite of wealth management products and services. The group has total assets under management and administration, including term deposits, of \$237 billion.



Investment Banking Group



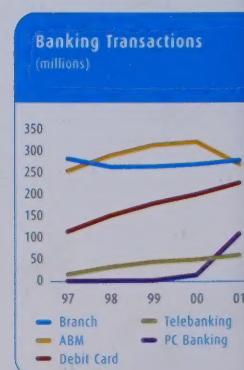
Operating under the BMO Nesbitt Burns and Harris Nesbitt brands, the Investment Banking Group (IBG) offers corporate, institutional and government clients complete financial services, including advisory, capital-raising, investment and operating services. Supported by top-ranked research, BMO Nesbitt Burns is a leader in mergers and acquisitions advisory, debt and equity underwriting, institutional equity, securitization and trade finance.



Emfisys*



Emfisys, the technology and e-business group, provides information technology planning, strategy and development services, together with transaction-processing, North American cash management, and real estate operations for the Bank of Montreal Group of Companies and its customers. The group is also responsible for the creation, development and support of the Bank's e-business services.



Initiatives for 2001

- **Grew** direct banking volume (telephone and online) by 41% to 193 million transactions.
- **Launched** several new consumer lending products and the Premium Rate Savings account.
- **Grew** market share in the automotive lending and leasing sectors.
- **Introduced** Direct Bank for Business and our AIR MILES® for Business program. Small business loan market share increased to 18.9%.
- **Expanded** our corporate finance unit with volume growth above 20% for the fourth consecutive year.
- **Maintained** credit quality standards at high levels while asset growth continued.
- **Increased** retail and small business lending in the United States by US\$1 billion. The acquisition of First National Bank of Joliet added another US\$562 million.

- **Increased** the number of Canadian investment sales professionals in Bank of Montreal branches to just under 700.
- **Launched** Harris AdvantEdge Investing™, which offers full-service investing, enabling us to provide a complete range of wealth management services in the United States.
- **Expanded** access to mutual fund distribution channels in Canada with the acquisition of the Guardian Group of Funds.
- **Established** an integrated wealth management offer in the United States with the opening of The Harris offices. These offices put Harris Private Bank, Harris InvestorLine and Harris AdvantEdge Investing under one roof.
- **Launched** the first online retirement planner in Canada – BMO InvestorLine® Retirement Planner – allowing investors to build their asset allocation and determine if their retirement plan is on track.

- **Leveraged** lending relationships to cross-sell investment banking and other fee-based products in the U.S. Midwest mid-market through Harris Nesbitt™, resulting in a 50% increase in investment banking revenue year-over-year.
- **Sustained** deal flow in a very difficult market and economic environment through focus on U.S. Midwest mid-market and expertise in specialty sectors such as food and agribusiness, equity sponsors and asset-based lending.
- **Focused** on providing media and communications sector clients with full balance sheet solutions through our U.S. media and communications unit. To date, BMO Halyard Partners has made private equity and mezzanine investments in nine companies. In addition, we served as manager on 10 transactions that raised a total of more than \$7 billion of capital.
- **Demonstrated** cross-border expertise in the energy sector through 10 transactions worth \$11.1 billion.

- **Developed** and launched a state-of-the-art technology platform, Pathway Connect, to provide our retail and commercial employees with tools to deepen client relationships and meet individual client needs.
- **Developed** and launched Optimizer, a leading-edge sales and service application that enables over 2,000 commercial lenders across Canada to provide clients with enhanced service, products and time-sensitive solutions.
- **Developed** and launched the first full-service online trading application to provide BMO Nesbitt Burns' clients with up-to-the-minute financial information and personal risk tolerance assessment.
- **Introduced** eScout™, one of North America's fastest-growing and most successful business-to-business exchanges, to our small and medium-sized business clients in the United States.

Focus for 2002

- **Increase** market share in the personal banking segment, relative to our full-service competitors.
- **Increase** market share in both small business banking and commercial banking businesses, relative to our full-service competitors.
- **Increase** our customer loyalty scores in both personal and commercial banking segments.
- **Continue** replacement of our sales and marketing technology platform.
- **Achieve** asset growth while maintaining existing high asset quality standards through continuing development of technology, state-of-the-art risk management techniques and strict internal discipline.
- **Continue** to target a \$1 billion annual increase in retail and small business loans for the next several years, and assess strategic mergers and acquisitions opportunities in the United States.

- **Expand** our distribution network on both sides of the border by continuing to grow the total number of investment sales professionals.
- **Leverage** relationships with seven million North American customers (six million at Bank of Montreal and one million at Harris Bank) with further deployment of highly trained investment professionals in key branches.
- **Continue** to expand U.S. wealth management business through both acquisition and organic growth, leveraging Harris' long-standing reputation in major U.S. markets while expanding into selective new markets across the country.

- **Continue** to maintain emphasis on disciplined client coverage within Harris Nesbitt, adding profitable new multi-product relationships and building revenue.
- **Reinforce** commitment to the media and communications sector by continuing to support existing client relationships and actively seeking high-quality management teams with proven business models requiring growth capital to expand their business.
- **Continue** to build on improvement in profitability of debt capital markets and treasury activities.
- **Build** on our Canadian leadership position in all business sectors.
- **Improve** capital utilization.
- **Build** on strong capabilities to expand high-growth businesses.

- **Continue** nation-wide rollout of Pathway Connect.
- **Introduce** eScout™ to our small and medium-sized business clients in Canada.
- **Focus** on our clients by creating an environment that supports a "market of one" approach to sales, service and relationships.
- **Continue** to create partnerships that deliver world-class financial solutions.
- **Optimize** revenue generation and profitability through our North American Cash Management business, E-Business Division, strategic alliances and joint ventures.
- **Provide** clients, through an agreement with CertaPay, with the first bank-based, person-to-person money transfer system of its kind in the world.
- **Increase** penetration in high-growth, high-value markets by leveraging industry-leading technology capabilities in wealth management and investment banking.

uncertainty – that the collapsing towers of the World Trade Center and the wreckage of the Pentagon introduced to North American life.

Against this still much-too-vivid backdrop, our world has entered 2002 in a turbulent and uncertain state. And so, by extension, has the world's economy.

But some things are much less uncertain than others. We can be sure, for example, that the United States will continue to build the most powerful economy on Earth.

There is also no doubt – and this is my promise to shareholders – that the Bank of Montreal Group of Companies will play a significant and profitable role in this world-leading economy. When I speak of our plans for making the future our own, to a large degree I'm talking about U.S. expansion.

The Future Competitive Landscape

The way I see it, the industry consolidation that is now under way in Canada and the United States – driven by the ongoing integration of the Canadian and American economies – is going to reconfigure North American financial services into three leagues.

One league will feature about five mega-players headquartered in North America but operating globally. One league will feature niche and small local players. And another will feature about a dozen transnational banks, each offering a full range of financial products and services to personal, commercial, and corporate and institutional clients on both sides of the border.

Our Vision

That's where we come in. When you combine our singular history in the United States with our well-established strengths, Bank of Montreal is well positioned to become a leading player in the emerging transnational league.

Key points of Bank of Montreal's plan

1. Expand selectively and substantially in the United States.
2. Invest in our core Canadian franchise.
3. Build on our long-standing strengths.

Although 2001 was not a good year from an overall financial performance perspective as weak economic conditions, made much weaker in the aftermath of September 11th, caused cash earnings per share to decline to \$2.86 from \$3.39 the prior year, our commitment to our vision has if anything grown stronger. While adapting creatively to market realities and cutting costs, we will continue to take the steps necessary to reach our goal.

Our Growth Strategy

At a time when life's complexities have never seemed *more* complex, there is much to be said for a simple, straightforward growth strategy. This is ours: while continuing to invest in our core Canadian franchise and building on long-standing strengths, we are focusing on substantial and selective expansion in the United States. Permit me to provide some highlights.

The American Way

When it comes to establishing ourselves among the leading transnational banks, we have both history and momentum firmly on our side.

Historically, we have been doing business in the United States since Bank of Montreal was founded in 1817 (for the purpose of facilitating trade with New England). Today, measured by total U.S. assets, Bank of Montreal is the largest Canadian bank in the United States as well as its fourth-largest foreign bank holding company.

Our claims to leadership aren't based solely on size, however, but more importantly on the superior quality of our well-integrated American franchise. It features, among other clear advantages, the deeply entrenched and respected brand of Harris Bank, the rock upon which we are basing our aggressive and wide-ranging U.S. expansion plans (see page 5).

While aiming to deliver solid relative performance, we are stepping up our pursuit of acquisitions large and small, not just in Chicago and the Midwest, but also in carefully selected markets of high opportunity all over the country. In November 2001, for example, we increased our U.S. client base by 50% to 1.5 million with an agreement to acquire the national direct investing firm CSFB*direct*, a subsidiary of Credit Suisse First Boston.

The Canadian Way

While this may seem self-evident, let me underscore the fact that our 185-year-old Canadian franchise is and always will be central to our success as a leading transnational (see page 9).

Activities in the year ahead will be distinguished by faster and more consistent strategy execution and more attention than ever before to revenue generation.

I also want to draw attention to the reputation we have built with our customers, especially our personal and small business customers, for being there and sticking by them when economic times get tough. We made sure we got that message out as 2001 drew to its economically uncertain close and, based on past performance, we trust clients will reward us with more business as conditions improve.

What Makes Us Strong

As formidable as they may be, history and momentum are only two of the strengths that form the foundation for our strategy (see page 13).

We are well regarded for our ability to manage credit risk effectively, especially in the retail sector. For proof, just consider that by year-end, our consumer and commercial loan portfolios in Canada and the United States, which account for 65% of our overall portfolio, continued to show resilience. We have every confidence that we will be among the industry leaders in credit quality in 2002 and beyond.

Other strengths to draw from? How about our pioneering leadership in creating and using new technologies to better serve customers? Or the award-winning effectiveness of our industry-pacing corporate governance? Or the fact that our good relationships with America and Americans happen to date back close to 200 years?

Certainties for Uncertain Times

Over and above those strengths is another – the strength of our conviction that no matter what side of the border we operate on, the secret to all success still lies in getting it right with customers. We aim to give them the only bank they *want*, not just the only bank they need. This is another certainty for our uncertain times.

And here, finally, is one more: while everything truly *did* change forever on that terrible morning of September 11th, and while many serious questions are yet to be resolved, like our American friends, we are a most resilient and future-driven people. There is no doubt that normalcy *will* work its way back into our lives.

Tony Comper

Chairman and Chief Executive Officer



*We plan to build a visiting
nurses program in Nigeria.*

Fidelis and Bonnie Umeh

President and CEO, SEI Information Technology Co.
Chicago, Illinois

When Fidelis Umeh steps down from the helm of his company this year, he and his wife Bonnie will continue to look to Harris Bank, "our financial partner forever," to help them achieve their retirement goals. Among them, the development of a permanent, multi-million dollar public health education program in Fidelis' native Nigeria.

Expand selectively and substantially in the United States

harrisbank.com

harriswireless.com

harrisnesbitt.com



→ **With the acquisition this year**

of First National Bank of Joliet, which has US\$1.1 billion in assets and 18 locations, Harris Bank now serves one in five households in Chicagoland.

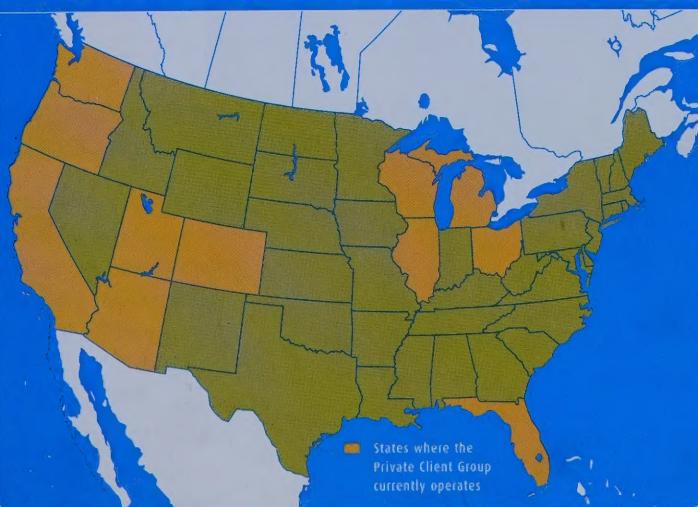
To realize our goal of becoming a leading transnational bank, we are aggressively pursuing growth in the United States. U.S. expansion – through both organic growth and acquisition – is at the centre of our growth strategy.

As the fourth-largest foreign bank holding company operating in the United States, our U.S. presence is already strong. Since our purchase of Harris Bank in 1984, we have invested an additional \$1.4 billion in strategic acquisitions. Today, we operate in 22 of the fastest-growing and most affluent urban markets in the United States, offering our customers a broad and integrated array of personal, commercial and investment products and services through a multi-channel distribution network.

Pursuing Growth

To build on our strengths, we are pursuing growth in retail banking. Our goal is to increase our share of personal and commercial customers in the greater Chicago area as well as in selected high-growth urban markets in the U.S. Midwest and beyond by building on Harris Bank's successful community banking model. Since 1994, Harris has tripled its customer base from 300,000 to one million and is making great progress

Building a U.S. Wealth Management Franchise



→ **In the United States,** our Private Client Group assets under management and administration have grown 27% since the beginning of 2000 to \$116 billion.



→ **BMO Nesbitt Burns** advised

Anderson Exploration in its \$5.1 billion acquisition by Devon Energy Corp.



→ **Harris Nesbitt** served as

the financial advisor to Virginia-based WLR Foods in its US\$280 million acquisition by Pilgrim's Pride, a deal that created North America's third-largest integrated chicken processing company.

toward its goal of becoming the dominant full-service bank in greater Chicago, the third-largest metropolitan market in the United States.

At the same time, our Harris Nesbitt franchise is aggressively pursuing new business in the U.S. Midwest mid-market. Using an integrated investment and corporate banking model, Harris Nesbitt is building on the strong personal relationships it has forged with more than 1,000 mid-market companies as well as its considerable nationwide expertise in food and agribusiness and asset-based lending.

Our Investment Banking Group remains strongly committed to serving the North American media and communications and energy sectors with specialty teams located in New York, Chicago, Houston, Calgary and Toronto. Our energy group has particular expertise in cross-border mergers and acquisitions advisory, and in 2001 participated in 10 transactions with a total value of \$11.1 billion. At the same time, our media and communications group continued to provide full balance sheet solutions to finance our clients' growth. Last year, we served as manager on 10 transactions, raising total capital of more than \$7 billion.

Strengthening Our Presence

Our U.S. expansion strategy also focuses on the growth of our Private Client Group, through which we are building an integrated North American wealth management business. Integral to our plan is leveraging the Harris name, which for 120 years has been synonymous with the highest-quality private banking and asset management services. In recent years, we have strengthened our U.S. presence through selective acquisition of banks and direct investment firms in strategic high-growth areas across the United States, including Arizona and Florida.

Harris Bank Average Deposit Balances (Cdn\$ billions)



→ **Harris Bank's retail deposit base**

has now reached \$17 billion while growing at twice the rate of the market. As well, consumer, mortgage and small business loans grew 19% during the past year.

harriswireless.com

◀ bmoneysbittburns.com



→ In connection with the acquisition of certain cable television systems by Mediacom Communications Corporation, the U.S. Media and Communications group served as arranger in a US\$1.4 billion senior-debt financing, and acted as Senior Co-Manager in a US\$400 million high-yield issue related to this acquisition financing.

A Wealth of Services

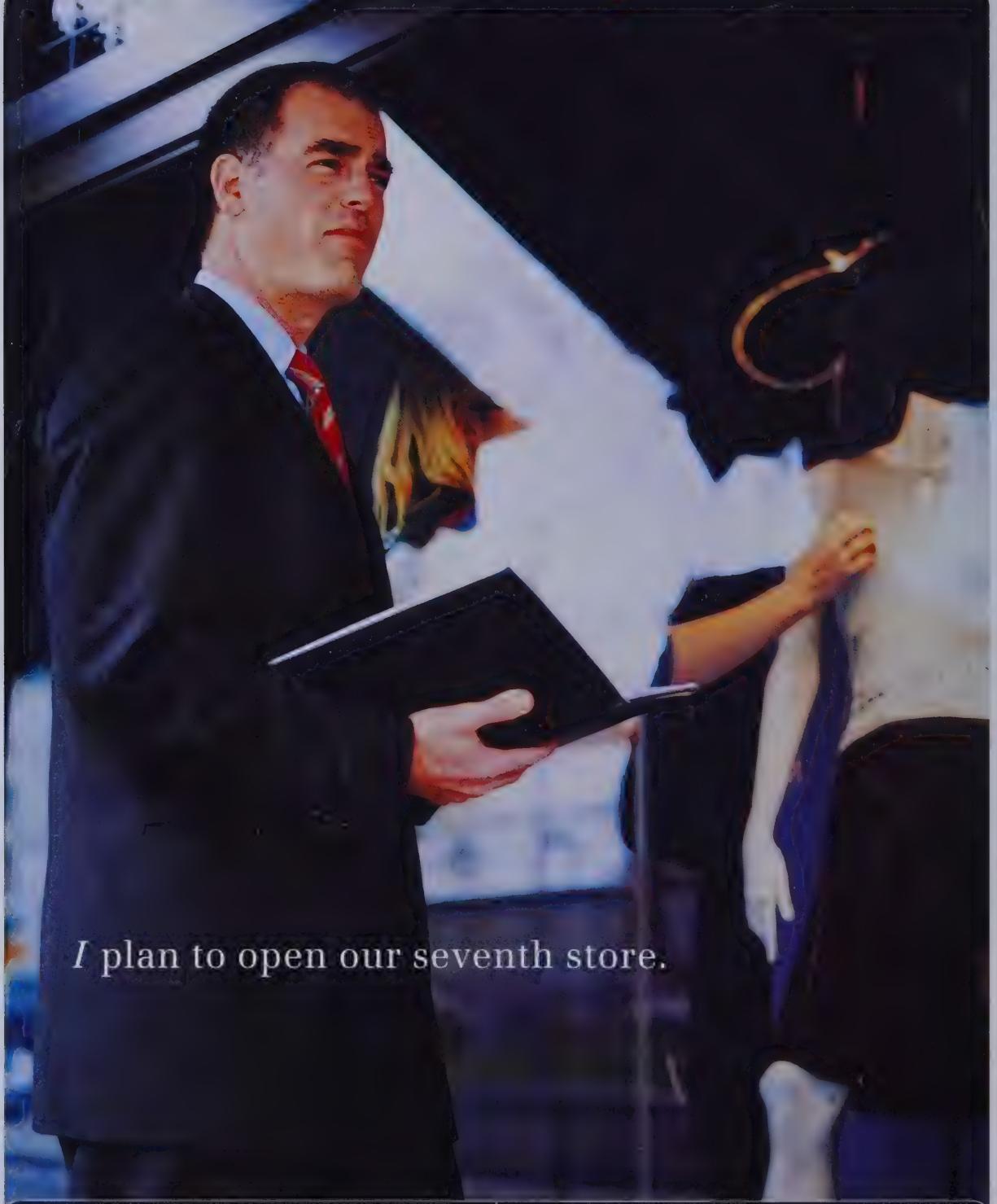
This year, we opened our first group of wealth management offices under The Harris brand. Distinctive in approach and design, The Harris delivers a full suite of wealth management services to our clients. To further expand our reach, we have increased the number of private bankers and investment professionals in Harris community bank branches.

Such initiatives, along with the continuing expansion of Harris InvestorLine, our direct brokerage business, and the launch of Harris AdvantEdge Investing, which offers full-service investing, have enabled us to provide a complete range of wealth management services to our clients across the United States.

These are successes we mean to build upon.



→ With more than 385,000 active accounts, BMO InvestorLine and Harris InvestorLine have become one of the largest direct investing businesses in North America.



I plan to open our seventh store.

Peter Simons

Owner, La Maison Simons Inc.
Quebec City, Quebec

The Simons family has enjoyed a "valued relationship" with Bank of Montreal since the first La Maison Simons opened in Quebec City in 1840. In recent times and with the Bank's support, the Simons expanded their retail clothing empire to six locations throughout Quebec and plan to open a seventh store in Laval in 2002.

Invest in our core Canadian franchise

Our plan is to become the financial services provider that Canadians prefer for their personal and business banking, wealth management and investment banking needs. Our goal is to become the only bank our customers ever need.

To achieve our objective, we remain committed to the imperatives of solid operating performance and the redeployment of capital and other resources to businesses where we can create the highest value and achieve the greatest growth. At the same time, to better serve our customers by leveraging our strengths, we continue to emphasize integration across our three main business groups.

Our Personal and Commercial Client Group – which serves more than six million households and commercial businesses and has historically been our main engine of growth – is at the centre of our drive to be our customers' bank of choice. We want to make it easy for our personal and business customers to make the right financial decisions.

Putting the Customer First

We have invested heavily in recent years to better serve our commercial customers – whether they are a home-based business or a large corporation. We provide a strong and consistent approach to risk management, expert relationship managers and a full array of cash management and financing products. We are now able to serve our commercial customers directly by telephone or the Internet through Bank of Montreal's Direct Bank for Business. Through such initiatives, we have become number two in Canada in market share in commercial banking – well on our way to our goal of becoming number one within five years.

Optimizing customer service is also the driving force behind the transformation of our distribution network, which is now substantially complete. While we have closed 296 branches, we have also acquired or opened 106 new full-service and instore locations. And we have built a direct banking system that was used by more than



→ In a recent industry-wide survey,

ranked first among all providers in market competitiveness and among the top eight banks for overall satisfaction.



→ Our Premium Rate Savings account,

launched in June 2001, is now enjoyed by more than 100,000 customers with more than \$1 billion in deposits.

two million customers for almost 140 million transactions last year. Today, we are serving our customers anywhere, any time and any way they want. To that end, we are launching Pathway Connect, a competitively superior, integrated technology platform that will enable our employees to improve customer service in branches.

bmo.com/business

nesbittburns.com



→ With the acquisition of the Guardian Group of Funds, Bank of Montreal's mutual fund family increased total assets under management to \$30 billion.



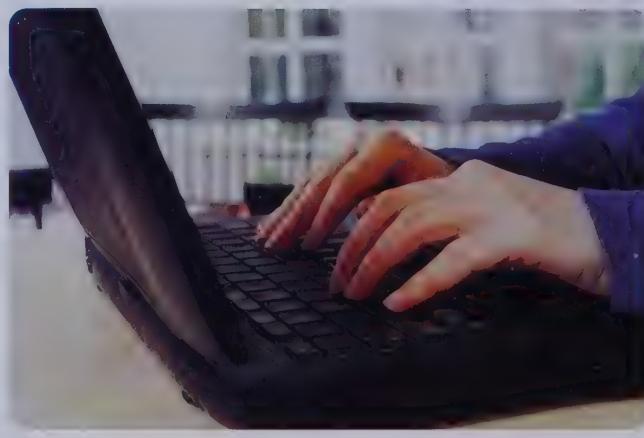
→ Through an agreement with the Canadian Chamber of Commerce, Bank of Montreal has made its MERX™ electronic government tendering service available to 170,000 Canadian businesses.

Leading the Way

With our leading position in private banking and the strength of our full-service investment business, our Private Client Group is committed to helping our clients accumulate, protect and grow their financial assets, on their own terms.

We offer a wide range of products and services – from term investments and mutual funds to direct and full-service investing to private banking. And we continue to lead the way in technology, product and service innovation and research capabilities. Of particular note is the launch of BMO InvestorLine's Retirement Planner, an online retirement planning tool that offers self-directed investors the ability to make more informed and disciplined decisions based on their long-term goals.

We are also intent on ensuring that our clients have access to professional investment advice when and where they need it. Along with a network of more than 1,550 BMO Nesbitt Burns Investment Advisors, we have introduced more than 500 Investment Fund Specialists at key Bank of Montreal branches, and increased the



→ Thanks to our agreement with CertaPay Inc.,

any Bank of Montreal customer with an email address will soon have access to the first bank-based person-to-person money transfer system in the world.

→ **Bank of Montreal has extended its ultra-successful AIR MILES reward program to its business banking customers.**



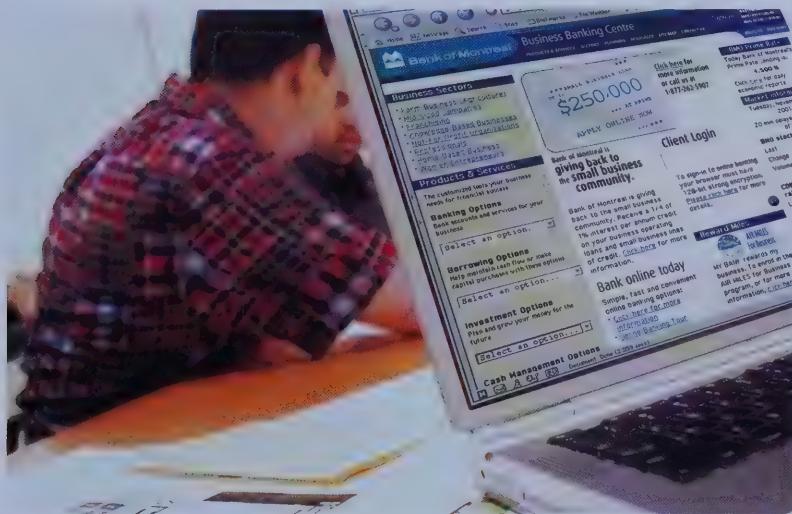
→ **Canada's first AIR MILES Money Market Fund**, six new Global Tax Advantage funds and seven new RSP World funds are among the innovative products recently launched by BMO Mutual Funds.

number of Resident Investment Advisors across the country. The acquisition of the Guardian Group of Funds, which has given us access to a larger network of financial planners, has also expanded our wealth management distribution network.

The Bank of Choice

To be the investment bank of choice for our corporate, institutional and government clients continues to be the goal of our Investment Banking Group, which operates under the BMO Nesbitt Burns brand in Canada. Dedicated to providing innovative thinking and integrated solutions, the group has leadership positions in mergers and acquisitions advisory, debt and equity underwriting, securitization, and institutional sales and trading. Anchoring our activities is an equity research team ranked number one by the Brendan Wood International Survey for 21 consecutive years.

Clearly, across the Bank of Montreal Group of Companies, we are placing our customers at the centre of our business – where they belong.



→ **Bank of Montreal's Direct Bank for Business** now serves more than 110,000 business customers.

→ **BMO Nesbitt Burns was ranked number one in Canada in equity block trading for the seventh consecutive year.**



→ **Institutional investors ranked BMO Nesbitt Burns number one for overall quality of trader service for the second consecutive year.**

*We're planning
for our future.*

Nancy and Glen Holmes

Owners, Pseudio and Samuel & Co.
Halifax, Nova Scotia

Last spring, Nancy and Glen Holmes turned to Bank of Montreal to arrange the mortgage on their beautiful new five-bedroom "saltbox" home. The Holmes, both small-business owners, are now focused on building a financial "comfort zone" for themselves and their four young sons.

Build on our long-standing strengths

bmo.com/mortgage



→ Both Harris Bank and Bank of Montreal introduced the eScout™ business-to-business marketplace to enable more than 500,000 small and mid-sized business customers to purchase competitively-priced items such as computer equipment and office supplies online.

Bank of Montreal has been serving clients in Canada and the United States for almost 200 years. Founded in 1817 in Canada and actively involved in helping to transform a young country into one of the world's most respected and prosperous nations, the Bank established a presence in New York in 1818 and Chicago in 1861. Harris Bank, meanwhile, has played an instrumental role in the growth and development of the American Midwest since 1882.

Our strength also comes from our industry-leading credit risk management as well as the diversification of our earnings. Both of these are proving to be extremely valuable assets as the global economy slows.

We are proud as well of our corporate governance practices. Three-time winner of the Canadian Institute of Chartered Accountants/*National Post* Award of Excellence for Leadership in Corporate Governance, in 2001 the Bank was also honoured with the Conference Board of Canada/Spencer Stuart Canada private-sector National Award in Governance.

Our reputation as an innovator is equally celebrated. The first financial institution to launch full-service Internet banking and wireless financial and investing services in North America, we remain committed to harnessing the power of technology to provide new and better solutions and bring value to our customers. Our achievements have been recognized by *Global Finance* magazine, which named Bank of Montreal Best Internet Bank in Canada in 2001.

Lastly, we garner strength from our culture, sustained by strong values and brought to life by our employees.



→ Bank of Montreal's online client base continues to grow rapidly. Today, we have more than one million customers who access banking, brokerage and MasterCard services electronically.

Our people: realizing our plan

bmo.com/careers



Vision and strategy are essential. But the greatest responsibility for realizing our plan – for actualizing our vision and implementing our strategy – belongs with our employees.

Our Employees, Our Communities

Bank of Montreal actively supports our many employees who give so generously to their communities. For instance, we cover administrative costs for Fountain of Hope, a national charitable foundation funded and managed by Bank of Montreal employees and retired employees. Last year, our employees contributed \$3.7 million to the foundation, almost half of which was raised through local events such as bake sales and raffles.

At Bank of Montreal, we know that the ability to attract, retain and develop the most capable people will determine the success of our plan. And we understand that investing in our people is perhaps the most astute business move we can make.

Investing in our people begins with the creation of a diverse workforce and an equitable and supportive workplace. Since 1990, the year the Bank established the Task Force on the Advancement of Women, and the subsequent launch two years later of the Chairman's Council on an Equitable Workplace, we have attained real and measurable success in achieving diversity. According to the Canadian Bankers Association, we are leading all of our competitors in the representation of women and visible minorities at the senior management level. Meanwhile, our own data show that women now hold 35% of executive positions at Bank of Montreal, up from 9.5% in 1992. Our achievements have been recognized by Human Resources Development Canada, which gave the Bank the 2001 Vision Award for employment equity. Bank of Montreal is the only organization to have received this award twice.

Investment in people also means providing our employees with the right learning opportunities. In 2001,

our Toronto-based Institute for Learning (IFL), which develops and delivers both classroom and online training, focused on strengthening our marketing, sales, risk management and e-literacy capabilities.

The IFL also plays an essential role in helping the Bank develop superior managers of people. Our new Managerial Leadership Program has been successfully completed by more than 2,500 leaders across the Bank. We have also introduced two Managerial Leadership Learning Streams to address the needs of both new and experienced managers.

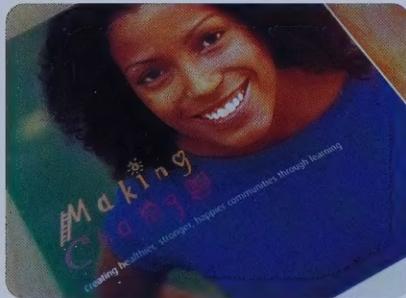
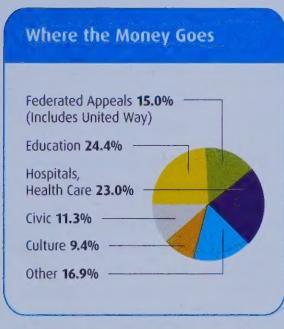
Our Masters of Business Administration (Financial Services) program, offered in partnership with Dalhousie University and the Institute of Canadian Bankers, also continues to play an important role in our drive to accelerate the development of our emerging leaders. More than 200 Bank employees are currently enrolled in the program, from which 65 employees have already graduated. Ten of these graduates have progressed to our executive ranks.

Such results bode well – for our plan and for our future.



Our communities: making change

bmo.com/community



→ In the days following the tragic events of September 11, the Bank of Montreal Group of Companies announced a million-dollar fundraising campaign to help the families of victims and survivors. Along with an initial bequest of \$500,000, the Bank committed to match donations made by our Canadian and U.S. employees. Within seven days, the campaign had exceeded its target.

Our plan is to help create healthier, stronger and happier communities by supporting learning opportunities and initiatives.

As one of Canada's largest corporate donors, the Bank of Montreal Group of Companies contributed \$21.7 million to more than 2,000 charities and non-profit groups in 2001. While we support an array of worthy causes, the Bank is particularly active in forming partnerships with organizations that promote learning.

We believe that learning is essential to the success of our business — and fundamental to a vibrant and strong society.

The following is a sampling of the many innovative and unique learning-focused programs we are proud to have supported in 2001:

- We initiated a \$2.7 million University of British Columbia/Bank of Montreal National Scholarship program to honour outstanding high school students who combine top marks with community involvement.
- In Toronto, the Bank committed \$730,000 to support St. Michael's Hospital's new Inner City Health Program. Global in scope, the program aims to help improve the quality of life for people living with chronic medical conditions.
- The Bank committed \$750,000 to the Volunteer Grants Program, which provides funds to a broad range of community and grassroots organizations actively supported by our employees.

- Bank of Montreal's Future Links™ program has provided 85,000 young Canadians with instructional golf clinics, a Mobile Clinic outreach program and an annual series of Junior Skills competitions.
- One of the most popular programs we sponsor is Skate Canada's CanSkate®. Delivered through approximately 1,400 skating clubs across the country, the initiative provides hundreds of thousands of children and adults with the opportunity to learn a sport they can enjoy for a lifetime.
- Bank of Montreal is the exclusive sponsor of the Kids Help Phone® Student Ambassadors and Community Ambassadors programs.
- In Chicago, Harris Bank launched a multi-year revitalization effort in the North Lawndale community. For many years, North Lawndale has suffered an outflow of businesses and jobs. The Bank's effort consists of partnerships, employee volunteerism, loan programs and other initiatives designed to significantly improve this underserved community's housing, education, employment and quality of life.

At Bank of Montreal, we believe that being actively involved in the communities where we live and do business benefits us all. We also believe it's the right thing to do.

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*Member of Management Board Executive Committee

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Pierre O. Greffe Senior Vice-President, Finance	Velma J. Jones Vice-President and Corporate Secretary

Velma J. Jones Vice-President and Corporate Secretary	Janine M. Mulhall Vice-President and Chief Accountant
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www.bmo.com/annualreport2001

Corporate Information

This Bank of Montreal 2001 Annual Report is available for viewing/printing on our web site at bmo.com

For a printed copy, please contact:

Corporate Communications Department

302 Bay Street, 10th Floor
Toronto, Ontario M5X 1A1

(On peut obtenir sur demande un exemplaire en français.)

General Information

For general inquiries about company news and initiatives please contact our Corporate Communications Department.

Bank of Montreal's news releases are available on our web site at bmo.com

Shareholder Inquiries

For dividend information, change in share registration or address, lost certificates, estate transfers, or to advise of duplicate mailings, please call the Bank's Transfer Agent and Registrar at 1-800-332-0095 (Canada and the United States), or at (514) 982-7800 (international), or write to:

Computershare Trust Company of Canada

1800 McGill College Avenue, 6th Floor
Montreal, Quebec H3A 3K9

Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, February 26, 2002 at 9:30 a.m. (Eastern Standard Time) at the Fairmont The Queen Elizabeth, Montreal, Quebec, Canada.

Caution Regarding Forward-Looking Statements

This 2001 Annual Report, Book One includes forward-looking statements, which are made pursuant to the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, comments with respect to our objectives, targets, strategies, financial condition, the results of our operations and our businesses, our outlook for our businesses and for the Canadian and U.S. economies, and risk management.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, targets, expectations, estimates and intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; statutory changes; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions including, among other things, inflation and technological changes. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider the foregoing factors as well as other uncertainties and potential events. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank.

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